

Message Text

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71

ACTION ARA-20

INFO OCT-01 ISO-00 AID-20 CIAE-00 EB-11 FRB-02 INR-10

NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SPC-03 CIEP-02

LAB-06 SIL-01 OMB-01 NSC-07 SS-20 STR-08 CEA-02 DRC-01

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R 011750Z APR 74

FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC 5884

INFO COMMERCE DEPARTMENT WASHDC

UNCLAS BUENOS AIRES 2321

E.O. 11652: N/A

TAGS: ETRD, EIND, EFIN, AR.

SUBJECT: CENTRAL BANK CUTS OFF COMPENSATORY EXCHANGE RATES
FOR INDUSTRIAL IMPORTS.

REFS: A) EMBASSY'S A-101; B) EMBASSY'S A-69;
C) EMBASSY'S A-51; D) BA-0731.

1. ARGENTINE CENTRAL BANK MARCH 28 ISSUED TELEPHONIC COMMUNIQUE 2971, PROHIBITING OPENING FURTHER LETTERS OF CREDIT FOR IMPORT OF INDUSTRIAL RAW MATERIALS AND OTHER IMPORTS AT SUBSIDIZED PESO-DOLLAR EXCHANGE RATE. INITIATION AND IMPLEMENTATION THIS PROGRAM REPORTED IN REF. MESSAGES.

2. TRADE SOURCES INDICATE THIS MOVE EFFECTIVELY ENDS PROGRAM OF SUBSIDIZING IMPORTS OF SCARCE RAW MATERIALS AND INTERMEDIATE GOODS SUBJECT TO SUBSTANTIAL INFLATION IN WORLD MARKETS. ACTION REPORTEDLY TAKEN BY CENTRAL BANK TO HALT RAPIDLY GROWING DRAIN ON CENTRAL BANK ASSETS TO MAINTAIN SUBSIDY. CENTRAL BANK HAS BUDGETED \$US 130 MILLION TO COVER EXPECTED EFFECTS OF THIS EXCHANGE RATE SUBSIDY ON ITS FOREIGN EXCHANGE POSITION.
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HOWEVER, TO DATE LETTERS OF CREDIT HAD BEEN OPENED FOR

ABOUT \$US 250 MILLION FOR ITEMS INCLUDED IN PROGRAM.
CENTRAL BANK ACTION MAY HAVE BEEN TAKEN WITHOUT
CONSULTING MINISTRY OF ECONOMY. STAFF OF SECRETARY OF
COMMERCE WAS REPORTEDLY PREPARING THIRD LIST OF ITEMS
TO RECEIVE SPECIAL RATES WHEN CENTRAL BANK COMMUNIQUE
WAS ISSUED.

3. ELIMINATION OF SPECIAL EXCHANGE RATES AS TACTIC
TO COUNTER EXTERNAL INFLATION INTERPRETED IN TRADE
CIRCLES TO MEAN GOA MUST NOW CONSIDER PERMITTING
IMPORTERS TO PASS ON SOME PART OF RISING COST OF
IMPORTED MATERIALS. TEXT OF NEW WAGE/PRICE ACCORD
SIGNED LAST WEEK BY CGE AND CGT SEEMS CONSISTENT WITH
THIS VIEW, READING IN PART, QUOTE IN VIEW OF THE
NECESSITY TO ADJUST LEVELS OF INTERNAL PRICES TO THOSE
IN EFFECT ON THE INTERNATIONAL LEVEL, WITHOUT AFFECTING
THE OBJECTIVE OF INCREASING REAL PURCHASING POWER, THERE
WILL BE UNDERTAKEN A PROGRESSIVE SUBSTITUTION OF THE
MECHANISM OF PAYMENT FOR IMPORTS WITH FOREIGN EXCHANGE
AT REDUCED COST UNQUOTE. PENDING ACTUAL IMPLEMENTATION
OF ALTERNATIVE MEASURES, HOWEVER, CENTRAL BANK HAS
REINFORCED ANXIETIES OF IMPORTERS AND MANUFACTURERS
CONCERNING THEIR ABILITY TO SURVIVE IN FACE OF
SQUEEZE BETWEEN RISING COSTS AND GOVERNMENT-CONTROLLED
PRICES. RAPID SWINGS IN GOA POLICIES THEMSELVES ALSO
CONTRIBUTING TO DIFFICULTY OF NORMAL BUSINESS PLANNING
AND DECISION-MAKING, HINDERING BUSINESS RECOVERY.
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Message Attributes

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Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
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